

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 NEA-14 IO-14 ISO-00 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-03 COME-00 DODE-00 EB-11 FPC-01 H-03

INR-11 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 FEA-02

PA-04 PRS-01 USIA-15 DRC-01 /218 W

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R 021619Z AUG 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 6252

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

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E.O. 11652: N/A

TAGS: ETRD, ENRG, EEC, IT

SUBJECT: PROPOSED FRG/IRAN PETROLEUM PRODUCTS DEAL

REF: A) STATE 166564; B) STATE 164851

1. EMBOFF CALLED ON MFA OFFICE CHIEF FOR EC EXTERNAL AFFAIRS

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(PENNAROLA) AUGUST 2 TO MAKE KNOWN USG OBJECTIONS TO FRG PROPOSAL

TO PROVIDE PREFERENTIAL TREATMENT FOR PETROLEUM PRODUCTS FROM IRAN, DRAWING UPON MATERIAL IN REFTEL B.

2. PENNAROLA REASSURED US THAT GOI HAS BEEN OPPOSED TO FRG PROPOSAL EVER SINCE IT FIRST SURFACED ON OCCASION OF APRIL 1 EC COUNCIL OF MINISTERS MEETING. REASONS FOR ITALIAN OPPOSITION, PENNAROLA EXPLAINED, ARE BOTH RATIONAL AND EMOTIONAL. ON THE RATIONAL SIDE, FOREMOST IS QUESTION OF INCOMPATIBILITY OF PROPOSAL WITH GATT; SECONDLY, ITALY, WITH EUROPE'S LARGEST REFINING CAPACITY, IS ACUTELY AWARE OF AND DISTURBED BY POTENTIAL COMPETITION FROM IRANIAN PETROLEUM PRODUCTS WITH PREFERENTIAL ACCESS TO EC. THE NON-RATIONAL BASIS OF ITALIAN OPPOSITION IS ONE OF SPITE--SINCE EC ALREADY REJECTED ITALIAN PROPOSAL FOR SIMILAR DEAL WITH ROMANIA (USEC BRUSSELS 5665 PARA 5), GOI HARDLY THINKS IT FAIR FOR EC TO NOW APPROVE FRG PROPOSAL.

3. DESPITE APPARENTLY WIDESPREAD OPPOSITION TO GERMAN PROPOSAL, PENNAROLA EXPRESSED CONCERN THAT FRG WOULD USE ITS CONSIDERABLE FINANCIAL LEVERAGE WITHIN COMMUNITY TO EVENTUALLY GAIN APPROVAL FOR AT LEAST WATERED DOWN VERSION OF IRAN DEAL. ANOTHER COMPLICATING FACTOR PENNAROLA NOTED WAS THAT EXTENSION OF SUCH PREFERENCES TO IRAN WOULD NEGATE ANY PREFERENTIAL TREATMENT WHICH INTERESTED MAGHREB ASSOCIATES SUCH AS ALGERIA AND TUNISIA CURRENTLY RECEIVE.

4. ECON-COMM MINISTER, IN SEPARATE AUGUST 2 MEETING WITH MFA DIRECTOR GENERAL ECONOMIC AFFAIRS GUZZARONI, EMPHASIZED STRONG USG OPPOSITION TO FRG PROPOSAL. GUZZARONI STATED HE WAS FAMILIAR WITH THE MATTER AND CONFIRMED TO US THAT GOI, LIKEWISE, OPPOSES THE GERMAN PROPOSAL. HE STRESSED ITALIAN POSITION THAT PREFERENTIAL ACCESS SHOULD BE LIMITED TO QUOTAS FOR ALGERIA AND TUNISIA AS ASSOCIATED MEDITERRANEAN PRODUCING COUNTRIES. VOLPE

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